CHAPTER VIII.—LOANS.

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Sanction.

139. The special sanction of Government is required to the grant of a loan which is of an unusual nature or is not covered by any general order of Government.

140. The following are the several loans authorized by Government :—

Takavi and Agricultural Loans :—

1. Loans for Improvement of Land, etc., under the Land Improvement Loans Regulation and the Land Revenue Code. (Takavi Rules.)

2. Loans for Sericultural Improvement.

(*a*) Sericultural Takavi Loans.

(*b*) Loans for small Sericulturists.

3. Loans for Fruit Cultivation.

4. Loans for Horse, Pony and Cattle breeding.

Loans to Local Bodies.—

5. Municipal Loans.—These are loans granted to Municipalities for works of public and general convenience and utility such as, drainage, water works, opening out conservancy lanes and widening roads.

Loans to Societies and Notabilities.—

6. Loans to Jahgirdars.—These are loans granted for the relief of encumbered estates of Jahgirdars under G. O. No. 5749-51—R. 869, dated 23rd September 1894. The estates of some of them are under Government management, whilst those of others are under their own management. The loans are generally repayable from the net revenue of the estates in yearly instalments.

7. Loans to Co-operative Societies.

8. Loans to Agricultural Banks.

No new Agricultural Banks are now started nor are any loans given to them.

Industrial Loans.—

9. Loans for encouragement of Industries and Commerce.

10. Loans for Rural and Cottage Industries.

11. Loans for Dairy Farms.

12. Loans for Purchase of Machinery.

Other Loans.—

13. Loans to owners of lands submerged under the Krishnarajasagara Works.

14. Loans for Restoration of Minor Tanks.

15. Miscellaneous Loans.

141. The rules regarding the grant of these loans are detailed in Appendix XV. The Department which grants the loan should maintain the accounts relating to it. In cases where coercive processes are necessary for the recovery of the arrears, the Deputy Commissioner of the District should be addressed. (*G. O. No. I. & C.* 7545-64—*A. & E.* 191-23-10, *dated 7th May* 1925.)

Estimates.

142. Provision should be made in the estimates for all loans which can be foreseen. A timely estimate both of the advances and of the recoveries of the coming year should be made by the Revenue Commissioner for all Revenue loans, and by other officers for loans given in their Departments and communicated to the Comptroller for entry in his estimates.

Conditions of Repayment.

143. The following are the Rules under which Loans are usually made:—

(*a*) The term of loans may in very special cases extend to 30 years but ordinarily the loans should be repaid within as short a period as possible.

(*b*) The term is to be calculated from the date on which the loan is completely paid or declared by the Government to be closed.

(*c*) Dates may specially be fixed for the payment of the instalments.

(*d*) Instalments paid before the due date will be taken, entirely towards principal, unless of course any interest for a preceding period is overdue.

1. When a loan of public money is taken out in instalments, the first half-yearly repayment should not be demanded until six months after the last instalment is taken; meanwhile simple interest only should be realized. But should it appear that there is undue delay on the part of the debtor in taking out the last instalment of a loan, Government may at any time declare the loan closed and order repayment of principal to begin. The Comptroller should bring to notice any delay that appears to him to require this remedy and he should take this step whether there are any dates fixed for the taking of instalments or not.

2. If, in any case, particular dates in the calendar have been fixed for the payment of interest, or for the repayment of instalments of debt, then such repayments will not begin until the second of the half-yearly dates so fixed, after the loan has been completely taken up, simple interest only being recovered on the first half-yearly date after the completion of the loan. For example, supposing a loan, the interest on which is recoverable half-yearly to be completely taken up on 31st March and the interest to be payable on 30th June and 31st December, the first half-yearly instalment in repayment of principal will not be due until 31st December following. Simple interest only will be due on the intermediate 30th June.

3. Rules 1 and 2 are applicable *Mutatis Mutandis* to loans, the repayments of which are made by other than half-yearly instalments.

Forms of Drawing and Repaying.

144. The vouchers on which a loan is drawn must quote the authority sanctioning such loan.

145. In repaying a loan, the memorandum presented at the treasury must invariably state the original date and amount of the loan or otherwise give sufficient particulars for its identification. If the amount repaid includes interest as well as principal, the interest must be separately specified; and if the payment is a fixed periodical amount, including both interest and principal, the orders fixing the amount should be quoted.

It must be remembered that the calculation, fixing the amount of equal periodical instalments, by which a loan is repaid with interest, presupposes punctual payments of the instalment, and that if any instalment is not punctually repaid, the fixed instalments will not in the end discharge the loan.

Calculation of Interest.

146. A loan bears interest for the day of advance but not for the day of repayment. Interest for any shorter period than a complete half-year will be :—Number of days $\div 365 \times$ yearly rate of interest.

Defaults in Payment.

147. (*a*) Any default in the payment of interest or in the repayment of principal of any loan should be promptly reported by the Account Office to the Head of the Department concerned or

Government whichever sanctioned the loan who on receiving such a report will take steps to remedy the default.

NOTE.—The responsibility imposed on the Account Office by this rule refers only to the loans the detailed accounts for which are kept by that office.

(*b*) A penal rate of compound interest at 6 per cent per annum or any higher rate specified in the rules relating to the loans in question will be levied upon all overdue instalments of interest or principal and interest.

(*c*) Borrowers should be required to adhere strictly to the terms settled for the loans made to them, and modifications of those terms in their favour can be made subsequently, only for very special reasons.

148. (*a*) Government may, in any case, if it thinks fit to do so, remit the payment of interest falling due in the ordinary course or permit the postponement of an instalment in repayment of principal, subject to the condition that the amount of principal overdue at one time on one loan shall not ordinarily exceed Rs. 5,000.

(*b*) Interest necessarily runs upon instalments postponed according to the above rule ; and it is in the discretion of Government to decide whether such interest shall be at a penal rate or at the rate which the loan ordinarily bears. Such discretion will be exercised with due regard to the distinction between a default occurring by want of proper arrangements or provision and a default arising from unavoidable circumstances.

Land Improvement and Takavi Loans.

149. The following special procedure is prescribed for the drawing and accounting of Land Improvement and Takavi Loans and any other loans which Revenue Officers are allowed or directed to make in connection with Land Revenue, Agriculture or Famine, under any orders of Government.

Treasury Accounts and Procedure.

150. Land Improvement and Takavi Loans will be paid by the treasury, on loan orders drawn by the Deputy Commissioner of the District or other duly authorised officer sanctioning the loan. Those sanctioned by the Revenue Commissioner and the Government are also disbursed by loan orders drawn by the Deputy Commissioner.

151. In the treasury accounts, transactions connected with these loans will be recorded under the head " 26 Takavi and Agricultural Loans." Those relating to the loans under the old rules, (*i.e.*, rules in force prior to the issue of Government Notification

No. R. 4319—Agri. 91-08-4, dated 2nd January 1909), will be noted under the heads—

(*a*) Land Improvement Loans (old rules),

(*b*) Takavi Loans (old rules).

Those relating to the revised rules, (*i.e.*, rules issued by Government with their notification dated 2nd January 1909, will be noted under the heads—

(*c*) Land Improvement Loans (new rules).

(*d*) Takavi Loans (new rules).

152. (*a*) In the case of loans under the old rules, the Treasury Department and the Comptroller shall take no further cognizance beyond holding them in a separate loan account at the debit of the officer who authorised the loan. For all further accounts and supervision, the Revenue Department shall be responsible.

(*b*) For revenue loans granted under the revised rules, however, detailed statements should be submitted by the treasury to the Comptroller who will keep detailed accounts on the basis of the details contained in them. In these statements, the transactions connected with the loans already granted under the old rules, (*i.e.*, the rules in force prior to January 1909) should not find a place. (*G. O. No.* 3047-56—*Agri.* 135-05-7, *dated* 18*th November* 1908.)

153. *Takavi* loans may be made either direct to the parties concerned and on their receipt (stamped when necessary) or in lump sums on loan orders to officers disbursing them. In the former case, the charges should be supported by actual payees' receipts. In the latter case the following safeguards should be adopted :—

1. No officer disbursing *takavi* should be allowed to draw a second loan order without producing a detailed bill to account for the amounts already disbursed from the last loan taken, any balance left being at the same time refunded into the treasury. In no case should the submission of the detailed bill be delayed beyond the end of the month following that in which the loan was drawn from the treasury.

2. Disbursing officers should be directed to take the receipts of the payees on the spot as soon as the loans have been made, and certify at the foot of the detailed bill that the loans were duly sanctioned by them and paid in their presence.

3. Payees' receipts should be sent with the detailed bill and their names and the dates of payment should be entered in it.

4. Deputy Commissioners should prescribe a money limit for the amount which can be drawn on loan orders by each officer with due regard to the circumstances of each case.

154. (*a*) For transactions relating to the loans under the old rules, *i.e.*, those appearing under sub-heads (*a*) and (*b*), the treasury should maintain *plus* and *minus* memoranda *one for each*

district in which the advances should be debited and all recoveries credited. Similar *plus* and *minus* memoranda should also be kept for any special officer, authorised to make advances, who is required to maintain and submit accounts separate from the general account of the Deputy Commissioner. These *plus* and *minus* memoranda should be submitted with the monthly treasury accounts to the Comptroller, whose care it will be, that they accurately represent the debits, credits and balances that pass upon his accounts in respect of the Deputy Commissioner or other officer concerned.

NOTE.—1. No officer authorised to make advances may question the accuracy of the *plus* and *mines* memorandum as the record of his responsibility, otherwise than by satisfying the Comptroller of its erroneousness, and causing him to correct it. Every officer therefore should see that the debits and credits made to his accounts accurately correspond with those which enter his own registers and returns. If he is not the Deputy Commissioner, he should obtain from the treasury a copy of the *plus* and *mines* memorandum with which he is concerned.

NOTE.—2. Special care should be taken in paying recoveries into the treasury in the case of the loans under the old rules that the amount of interest and of principal recovered is separately and distinctly credited, as the former must not, and the latter must, be credited in the *plus* and *mines* memorandum.

(*b*) As regards heads (*c*) and (*d*) relating to the new loans, the credits under them should be supported by detailed subsidary statements one for each sub-head.

Responsibility and Returns of Revenue Department.

155. The Revenue Department will be responsible for the maintenance of detailed accounts of all loans granted whether under the old or the new rules, for the exercise of proper scrutiny in the matter of the timely collection of the instalments of repayments as they fall due, and for the submission of periodical returns to the Comptroller and the Revenue Commissioner.

1. Quarterly Statements in the prescribed form will be submitted by Deputy Commissioners to the Revenue Commissioner before the end of the month following the quarter in respect of loans under the old rules as well as the new rules. The fact that detailed accounts of loans granted under the latter rules are maintained in the Comptroller's Office will not absolve the Revenue Department of the duties devolving on it of keeping accounts and of ensuring prompt recovery of outstandings and timely submission of accounts With these quarterly returns and with every return of the Revenue Department, the Deputy Commissioners will also submit a memorandum setting forth the figures of the treasury *plus* and *minus* account and agreeing them with the figures of their statements.

2. The Comptroller will, after the close of every half-yearly accounts and within a period of three months from the close of each half-year, send to the Revenue Commissioner a return showing the figures that pass upon his books in respect of these loans under the old as well as the new rules, and will also communicate to the Revenue Commissioner any irregularities and omissions noticed in the audit of the individual accounts under the new rules.

3. The Revenue Commissioner will review the quarterly returns submitted by the Deputy Commissioners as they are received in his office, and also check them with the Comptroller's half-yearly returns. In the section relating to loans in his annual administration report to Government, the Revenue Commissioner will also briefly indicate whether the quarterly returns were submitted to him for review regularly by the Deputy Commissioners and refer to the action taken in respect of them during the year. (*G. O. No.* 3489-97—*G. F.* 216-10-2, *dated 27th December* 1910.)

Irrecoverable Loans.

156. (*a*) Any irrecoverable loan may be written off under the orders of Government which may delegate this power to a subordinate authority subject to such conditions as to amount, etc., as it may think fit to impose.

(*b*) In the case of Revenue loans, it shall be the duty of Revenue authorities, as soon as any such loan is ascertained to be irrecoverable, to cause the amount of it to be written off the accounts and to advise the Comptroller, in order that he may charge off the amount as expenditure and direct its being written off the treasury *plus* and *minus* memorandum. Such irrecoverable loans should nevertheless be registered by the Revenue authorities in a separate account or record, in order that any possible eventual recovery may be made ; but they will not affect the treasury *plus and minus* memorandum and any recoveries will be taken as revenue. Other deparments, such as the Departments of Industries which issue loans, and are responsible for their recovery, should follow a similar procedure.

Periodical Review.

157. As soon as possible after the close of the accounts of each year, the Comptroller will submit to Government annual reports upon outstanding loans and the Government will then bring the transactions under separate review.